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March 5, 2004

The Honorable Spencer Abraham  
Secretary  
Department of Energy  
1000 Independence Avenue, N.W.  
Washington, D.C. 20585

Dear Mr. Secretary:

I am writing to express my concern over rising gasoline prices and to urge the Department to take steps to address these price increases.

Press reports indicate that gasoline prices have risen sharply over the last few weeks, and that prices are expected to continue on an upward spike upwards as the nation moves towards the summer peak driving season. You have been quoted in recent press articles as saying that "this administration is extremely concerned" about rising gasoline prices. So am I.

You have also been quoted in the press as suggesting that one of the remedies for high gasoline prices would be for Congress to "finish the job" of passing the Administration-backed energy bill. This also concerns me in light of the findings of your own department, the Department of Energy's Energy Information Administration (EIA), which indicates that passage of the conference report on the energy bill (H.R. 6) will do virtually nothing to reduce energy prices or reduce America's dependence on imported oil (see Summary of Impacts of Modeled Provisions of the 2003 Conference Energy Bill, Energy Information Administration, Office of Integrated Analysis and Forecasting, U.S. Department of Energy, February 2004 (SR/OIAF/20004-02)).

According to EIA, passage of the energy bill conference report would do little to reduce energy consumption or reduce America's reliance on energy imports. The Senate's latest version of the energy bill (S.2095) is likely to have an even smaller effect on energy measures since it decreases direct spending, including spending on important energy efficiency programs such as the Energy Savings Performance Contracts (ESPC).

The EIA report finds that the "the impact of the CEB [Conference Energy Bill] provisions analyzed in this report on total primary energy consumer is small."

Specifically, EIA's analysis finds that if the energy bill were enacted:

- By 2010, energy consumption levels in the U.S. would actually increase by 14.4 percent both under business as usual projections and under the energy bill, indicating that the energy bill would have no effect on short-term consumption levels (see Table 1).
- By 2025, EIA projects that consumption levels will increase by more than 39 percent both under business as usual policies and under the energy bill.

Supporters of the energy bill frequently have claimed that its adoption will make America less dependent on foreign sources of energy, but EIA's analysis concludes otherwise:

- Petroleum imports are projected to increase by 24.7 percent by 2010 under current policies; if passed, the energy bill would still result in a 23.8 percent increase in petroleum imports.
- By 2025, U.S. imports of petroleum would actually increase by an astonishing 82.9 percent under the energy bill, only slightly lower than the 84.8 percent increase projected under business as usual.

Finally, the EIA report concludes that gasoline prices will likely rise following enactment of the energy bill conference report. The report projects a slight "increase of 0.3 cents per gallon in the average gasoline price and an increase of 0.4 cents per gallon in the average RFG [reformulated gasoline] price compared to the Reference Case" by 2010. By 2015, however, the price increases resulting from the bill accelerate, with "an increase of 3.0 per gallon in the average gasoline price and 8.1 cents per gallon in the average RFG price, relative to the Reference Case."

In light of EIA's analysis, it would appear that your faith in the energy bill is misplaced and that it is simply not credible to suggest that it is an effective answer to the recurring problem of gasoline or home heating oil price spikes. Instead of holding out the false hope that this legislation will help address the threat that rising energy prices poses for consumers and for our nation's economy, it is time for the Department to embrace policies that would actually do something effective to lower energy prices. I would suggest consideration of the following measures:

- Demand that OPEC increase oil production immediately;
- Temporarily suspend further purchases of oil for the Strategic Petroleum Reserve to free up additional supply;
- Announce the Administration's willingness to tap the Strategic Petroleum Reserve if needed to address price spikes or supply shortages;
- Accelerate increases in Iraqi crude oil production; and,
- Ask EIA and the Federal Trade Commission to step up market monitoring efforts to ensure that refiners or distributors do not engage in price gouging or manipulation.

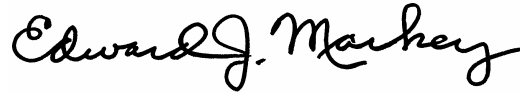
At the same time, the Administration should undertake the following longer-term measures:

- Order a significant increase in national fuel economy standards for passenger vehicles;

- Support legislation to close the SUV loophole so that strong fuel efficiency standards can be established for SUVs and minivans;
- Support legislation to repeal the so-called “Hummer loophole” that provides for tax deductibility for purchases of large SUVs;
- Refrain from appealing the Department’s loss in the courts of its illegal effort to try and roll back central air conditioning energy efficiency standards;
- Accelerate rulemaking efforts to prescribe new or improved energy efficiency standards for other appliances; and,
- Increase funding for renewable energy and energy efficiency R&D and commercialization programs.

Thank you for your consideration of these suggestions. I look forward to working with you to help enact national energy policies that will actually implement our shared goal of preventing energy price spikes or shortages and increasing America’s energy independence.

Sincerely,

A handwritten signature in black ink that reads "Edward J. Markey". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Edward J. Markey  
Member of Congress